O 30316
O-34959
PROCESSED BY
MAR 20 1992
Microfilmed by
Q-Data Corp. - St. Petersburg, FL
92071354
MANUALLY ENTERED
46/21:H
46
GR2-2234

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

MAR 16 1992

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-18198

DeVlieg-Bullard, Inc.
(Exact name of registrant as specified in its charter)

Delaware	62-1270573
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3100 West End Avenue, Ste 880, Nashville, TN 37203
(Address of principal executive offices) (Zip Code)

615-383-7892
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X . No_____.

The number of shares of common stock outstanding as of January 31, 1992 was 12,250,000.

DeVlieg-Bullard, Inc.

INDEX

	Page No.
PART I - FINANCIAL INFORMATION	
Item 1. Financial Statements:	
Consolidated Balance Sheet-- January 31, 1992 and July 31, 1991	2
Consolidated Statement of Operations-- Three Months Ended January 31, 1992 and January 31, 1991 and Six Months Ended January 31, 1992 and January 31, 1991	3
Consolidated Statement of Cash Flows-- Six Months Ended January 31, 1992 and January 31, 1991	4
Consolidated Statement of Stockholders' Equity-- Six Months Ended January 31, 1992	5
Notes to Consolidated Financial Statements	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	12
PART II - OTHER INFORMATION	16
SIGNATURES	18

PART I - FINANCIAL INFORMATION
Item 1. Financial Statements

DeVlieg-Bullard, Inc.
Consolidated Balance Sheet
(in thousands)

	January 31, 1992	July 31, 1991
	(unaudited)	
ASSETS		
Current assets:		
Cash	$0	$0
Accounts receivable	13,355	16,114
Inventories	24,107	25,970
Other current assets	2,404	2,097
Total current assets	39,866	44,181
Property, plant and equipment	8,028	8,200
Other assets	9,692	10,275
Total assets	$57,586	$62,656
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Revolving credit agreement	$14,736	$16,204
Accounts payable	8,240	8,919
Accrued expenses and other current liabilities	7,505	5,714
Current portion of long-term debt	3,543	3,754
Total current liabilities	34,024	34,591
Long-term debt	6,258	7,978
Other noncurrent liabilities	522	525
Total liabilities	40,804	43,094
Stockholders' equity:		
Preferred stock	5,826	5,699
Common stock	123	123
Additional paid-in capital	30,549	30,549
Excess purchase price over net assets acquired of the Services Group	(22,495)	(22,632)
Retained earnings	2,957	5,840
Cumulative translation adjustment	(178)	(17)
Total stockholders' equity	16,782	19,562
Total liabilities and stockholders' equity	$57,586	$62,656

See accompanying notes.

DeVlieg-Bullard, Inc.
Consolidated Statement of Operations
(unaudited - in thousands, except per share data)

	Quarter Ended January 31,		Six Months Ended January 31,	
	1992	1991	1992	1991
Net sales	$19,093	$22,291	$39,438	$45,053
Cost of sales	12,894	15,209	26,910	30,504
Gross profit	6,199	7,082	12,528	14,549
Operating expenses:				
Engineering	600	584	1,322	1,124
Selling	2,346	2,717	4,612	5,132
General and administrative	2,531	2,447	5,126	4,886
Other non-recurring charges	3,702	0	3,702	0
Total operating expenses	9,179	5,748	14,762	11,142
Income (loss) from operations	(2,980)	1,334	(2,234)	3,397
Other (income) expense, net	(114)	(259)	(305)	(386)
Income (loss) before interest and income taxes	(2,866)	1,593	(1,929)	3,783
Interest expense	581	861	1,273	1,739
Income (loss) before income taxes	(3,447)	732	(3,202)	2,044
Provision for income taxes	(549)	200	(446)	628
Net income (loss)	($2,898)	$532	($2,756)	$1,416
Net income (loss) per common share	($0.25)	$0.04	($0.24)	$0.11

See accompanying notes.

04

DeVlieg-Bullard, Inc.
Consolidated Statement of Cash Flows
Six Months Ended January 31,
(unaudited - in thousands)

	1992	1991
Cash flows from operating activities:		
Net income (loss)	($2,756)	$1,416
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,251	1,172
Provision for losses on accounts receivable	42	130
Undistributed earnings of foreign joint ventures	(156)	(234)
Net change in assets and liabilities, without giving effect to acquisitions:		
Decrease in accounts receivable	2,717	5,101
(Increase) decrease in inventories	1,863	(1,764)
(Increase) decrease in other current assets	(307)	684
(Increase) decrease in other assets	89	(454)
Increase (decrease) in accounts payable	(679)	1,691
Increase (decrease) in accrued expenses and other current liabilities	1,928	(972)
Decrease in other noncurrent liabilities	(3)	(62)
Net cash provided by operating activities	3,989	6,708
Cash flows from investing activities:		
Capital expenditures	(590)	(352)
Proceeds from sale of machinery and equipment	0	1,301
Net cash provided by (used for) investing activities	(590)	949
Cash flows from financing activities:		
Net change in revolving credit agreement	(1,468)	(2,519)
Proceeds from indebtedness	0	253
Payments on long-term debt	(1,931)	(5,391)
Net cash used for financing activities	(3,399)	(7,657)
Net decrease in cash and cash equivalents	0	0
Cash and cash equivalents at beginning of period	0	0
Cash and cash equivalents at end of period	$0	$0
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$1,335	$1,744
Taxes (net of refunds)	(15)	726

Supplemental schedule of other noncash information:
The Company's tax benefit realized related to excess purchase price of the Services Group reduces the income tax liability. Such amount included in the six months ended January 31, 1992 was $137,000

See accompanying notes.

05

DeVlieg-Bullard, Inc.
Consolidated Statement of Stockholders'
Six Months Ended January 31, 1992
(unaudited - in thousands)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Excess Purchase Price
Balance, July 31, 1991	$5,699	$123	$30,549	($22,632)
Net income				
Accretion of excess redemption value on preferred stock	127			
Tax benefit realized related to excess purchase price of the Services Group				137
Foreign currency translation adjustment				
Balance, January 31, 1992	$5,826	$123	$30,549	($22,495)

See accompanying notes.

Equity

Retained Earnings	Cumulative Translation Adjustment
$5,840	($17)
(2,756)	
(127)	
	(161)
$2,957	($178)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: Basis of Presentation

Pursuant to the rules and regulations of the Securities and Exchange Commission for Form 10-Q, the financial statements, footnote disclosures and other information normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed. The consolidated financial statements contained in this report are unaudited but in the opinion of the Company, reflect all adjustments, consisting of only normal, recurring adjustments, necessary to fairly present the financial position as of January 31, 1992 and the results of operations and cash flows for the interim periods of the fiscal year ending July 31, 1992 ("fiscal 1992") and the fiscal year ended July 31, 1991 ("fiscal 1991") presented herein. The results of operations for any interim period are not necessarily indicative of results for the full year. These financial statements, footnote disclosures and other information should be read in conjunction with the financial statements and the notes thereto included in the Company's annual report on Form 10-K for the year ended July 31, 1991 (File No. 0-18198).

NOTE 2: Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Penberthy, Inc. The Company's wholly-owned subsidiary, Lyons Holdings, Inc. ("LHI") and the wholly-owned subsidiary of LHI, DeVlieg-Lyons Integrated Systems, Inc. were merged into the Company effective December 13, 1991. All significant intercompany transactions and balances have been eliminated.

NOTE 3: Income per Common Share

Income per share is computed by dividing net income available to common stockholders by the weighted average number of common shares and equivalents outstanding during the period. Accretion of preferred stock and preferred stock dividends earned reduce income available to common stockholders. As the right to receive Class F preferred stock cumulative dividends commenced January 1, 1992, approximately $58,000, representing one-third of the quarterly dividend payable March 31, 1992, has been earned as of January 31, 1992.

NOTE 4: Accounts Receivable

Accounts receivable consisted of:

	January 31, 1992 (unaudited)	July 31, 1991
	(in thousands)	
Trade receivables	$13,361	$16,079
Other	803	996
	14,164	17,075
Less: allowance for doubtful accounts	(809)	(961)
	$13,355	$16,114

NOTE 5: Inventories

Inventories consisted of:

	January 31, 1992 (unaudited)	July 31, 1991
	(in thousands)	
Raw materials	$ 1,695	$ 3,359
Work-in-process	6,473	6,273
Finished goods	15,939	16,338
	$24,107	$25,970

NOTE 6: Property, Plant and Equipment

Property, plant and equipment consisted of:

	January 31, 1992 (unaudited)	July 31, 1991
	(in thousands)	
Real property	$ 1,655	$ 1,572
Machinery and equipment	10,162	9,749
Capitalized leased assets	1,130	1,130
Furniture and fixtures	793	699
Mobile equipment and vehicles	118	118
	13,858	13,268
Less: accumulated depreciation	(5,830)	(5,068)
	$ 8,028	$ 8,200

NOTE 7: Other Assets

Other assets consisted of:

	January 31, 1992 (unaudited)	July 31, 1991
	(in thousands)	
Intangible assets	$ 5,380	$ 5,380
Software development costs	3,581	3,581
Deferred financing costs	1,982	1,956
Other	2,527	2,647
	13,470	13,564
Less: accumulated amortization	(3,778)	(3,289)
	$ 9,692	$10,275

NOTE 8: Revolving Credit Agreement

Effective December 20, 1991, the revolving credit agreement was amended providing for a decrease in the limit of the maximum borrowings available thereunder from $27,000,000 to $20,000,000.

At January 31, 1992, the Company was not in compliance with the following financial covenants related to borrowings from its senior lender: minimum interest coverage, minimum fixed charge coverage, liquidity and minimum net worth. The Company has obtained a waiver from its senior lender of its failure to comply with each of the foregoing covenants as of January 31, 1992. In addition, the financial covenants pertaining to liquidity and net worth have been amended to provide that for and during the fiscal quarter ending April 30, 1992, these financial covenants will be calculated only as at the end of such quarter.

The Company's senior lender has granted an extension from March 22, 1992 to June 22, 1992 of the revolving credit agreement. Such extension is substantially on the same terms and conditions as the existing revolving credit agreement except that the interest rate on borrowings under the agreement has been increased by .5% to an annual rate of 1.5% above the senior lender's base rate.

NOTE 9: Capital Stock

Preferred stock at January 31, 1992 consisted of 70,000 shares of authorized, issued and outstanding Class F, Series A preferred stock. Commencing January 1, 1992, the holder of this stock is entitled to receive cumulative dividends at an annual rate of $10.00 per share, payable quarterly on the last day of each calendar quarter, commencing March 31, 1992, when and if declared

commencing January 1, 1994, to a maximum annual dividend rate of $20.00 per share; provided, however, that the scheduled dividend increases do not begin until the year following the date on which the Company's total stockholders' equity exceeds $28,950,000. The Class F preferred stock has a par value and a liquidation preference of $100 per share and may be redeemed at any time by the Company for $100 per share plus accrued dividends.

Common stock consists of 30,000,000 shares authorized, $.01 par value, with 12,250,000 shares issued and outstanding at January 31, 1992 and 1991. The weighted average common shares outstanding were 12,250,000 during fiscal 1992 and 1991.

NOTE 10: Stock Options

On December 15, 1989, the Company adopted the 1989 Employee Stock Plan, an incentive stock compensation plan, which permits the issuance of up to 575,000 shares of common stock. Options have been granted to certain employees to purchase shares of the Company's common stock at a price not less than the fair market value at the date of grant. The options are exercisable in annual installments of up to 20% of the total shares represented by the options commencing one year from the date of grant and terminating ten years thereafter.

Transactions in stock options under this plan are summarized as follows:

	Shares Under Option	Price Range
Granted, April 24, 1990	101,000	$ 6.50
Granted, October 15, 1990	75,000	3.50
Granted, June 20, 1991	75,000	3.625
Forfeited	(14,000)	6.50
Outstanding at January 31, 1992	237,000	$3.50-6.50

On January 10, 1991, the Company adopted a stock option plan for its outside directors, and granted each outside director an option to purchase 5,000 shares of common stock (an aggregate of 25,000 shares) at $2.50 per share, the then fair market value of the shares. The Company has reserved a total of 50,000 shares for issuance under this stock option plan.

NOTE 11: Other Non-recurring Charges

Other non-recurring charges for the three and six months ended January 31, 1992 are comprised of the following (in thousands):

Corporate office closing and relocation	$ 1,315
Plant closings and facility consolidations	1,197
Product line abandonment	465
Guarantee of certain indebtedness of DeVlieg, Inc., a related party, to the Kathryn S. DeVlieg Revocable Living Trust	405
Other severance costs	320
	$ 3,702

NOTE 12: Income Taxes

The provision for income taxes is based upon pretax financial accounting income in accordance with Accounting Principles Board Opinion No. 11. In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes ("FAS 109"). FAS 109 requires the liability method for computing deferred income taxes and is effective for fiscal years beginning after December 15, 1992. The effect of the adoption of FAS 109 on the Company's financial statements has not been determined.

The assets and liabilities acquired by the Company from a related party were recorded at the predecessor entities' net book value for financial reporting purposes. The tax benefit of the amortization of this difference is recorded upon realization as an increase to stockholders' equity by reducing the account "excess purchase price over net assets from the Services Group acquisition". Such benefit recognized in the six months ended January 31, 1992 was $137,000.

The income tax provision is comprised of the following:

	Six Months Ended January 31,	
	1992	1991
	(unaudited) (in thousands)	
Federal income tax expense (benefit)	$(470)	$514
State income tax expense	24	114
	$(446)	$628

The federal benefit is limited to the amount that can be carried back to prior years as future benefits are not assured.

NOTE 13: Commitments and Contingencies

Potential Repurchase of Common shares

As of September 27, 1990, DeVlieg, Inc., a related party, sold substantially all of its machinery and equipment to a subsidiary of Stanwich Oil & Gas, Inc. ("SOG Sub") and entered into an agreement whereby SOG Sub would lease the machinery and equipment to DeVlieg, Inc. (the "sale and leaseback"). The Company *subleased certain of* the machinery and equipment transferred by DeVlieg, Inc. to SOG Sub. In connection with the sale and leaseback refinancing transaction, Stanwich Oil & Gas Inc. ("SOG"), a related party, guaranteed certain payments by SOG Sub to its lender and pledged 635,000 shares of the Company's common stock owned by SOG to the lender to secure the guaranty. As a condition prerequisite to entering into the financing, SOG Sub's lender required the Company to enter into an agreement (the "Put Agreement"), as amended, in which the Company agreed at its option to repurchase up to $1,500,000 of its common stock pledged by SOG at 71% of its then fair market value or to pay up to $1,500,000 without repurchasing the shares, in each case if there remained a deficiency after the lender had completed liquidation of the machinery and equipment which secured the obligations of SOG Sub to the lender or in the event the lender were unable to obtain title sufficient to liquidate such collateral.

On August 5, 1991, DeVlieg, Inc. filed a petition under Chapter 11 of the U.S. Bankruptcy Code. In December 1991, the lender commenced the liquidation of the machinery and equipment which secured the obligations of SOG Sub to the lender. On February 4, 1992, the lender acknowledged payment in full of all obligations of SOG Sub to the lender and, accordingly, the Company has no further obligations under the Put Agreement.

NOTE 14: Postretirement Benefits

In December 1990, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 106, Employers Accounting For Postretirement Benefits Other Than Pensions ("FAS 106"), which will require accrual of such benefit costs during the period of employment. FAS 106 is not required to be implemented by the Company until the fiscal year ending July 31, 1994. The Company presently provides certain retiree medical benefits. The Company is in the process of determining the impact of this accounting standard and cannot currently estimate the impact on future results of operations or financial position.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations. Summarized below is a discussion of the results of operations of the Company, including its Services Group, Tooling Systems Group and Industrial Group. The following table sets forth for the periods indicated selected items from the Consolidated Statement of Operations as a percentage of the Company's consolidated net sales.

	Three Months Ended January 31,		Six Months Ended January 31,	
	1992	1991	1992	1991
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	67.5%	68.2%	68.2%	67.7%
Gross profit	32.5%	31.8%	31.8%	32.3%
Operating expenses *	48.1%	25.8%	37.4%	24.7%
Income (loss) from operations	(15.6%)	6.0%	(5.6%)	7.6%
Income (loss) before interest and income taxes	(15.0%)	7.1%	(4.9%)	8.4%
Net income (loss)	(15.2%)	2.4%	(7.0%)	3.1%

* Fiscal 1992 includes non-recurring charges aggregating $3.7 million, representing 19.4% and 9.4% of net sales for the three months and six months ended January 31, 1992, respectively.

Three and six months ended January 31, 1992 compared to three and six months ended January 31, 1991. Net sales for the second quarter of fiscal 1992 were $19,093,000 compared to $22,291,000 for the second quarter of fiscal 1991, a $3,198,000 decrease, or 14.3%. Net sales for the first half of fiscal 1992 of $39,438,000 were $5,605,000, or 12.4%, lower than the comparable period of the prior year, reflecting declines in all of the Company's operating groups. The decline in net sales by operating group for the second quarter and first half periods of fiscal 1992, respectively, consists of $686,000, or 12.7% and $1,640,000, or 14.4% in the Tooling Systems Group; $425,000, or 5.0% and $855,000, or 5.0% in the Industrial Group; and $2,087,000, or 24.8% and $3,110,000, or 18.8% in the Services Group. Management believes the decrease in net sales in each of its operating groups is attributable primarily to the persistent recessionary conditions which have had an adverse impact on the primary industrial segments served.

The decrease in the Services Group net sales reflects a decline in its Rebuild Operation of approximately $1,400,000 and $2,048,000 in the second quarter and first six months of fiscal 1992, respectively. The Rebuild Operation has been adversely impacted by its customers ability to utilize previously idle machinery in lieu of rebuilding due to excess capacity caused by the continued weak economic conditions.

Gross profit for the second quarter of fiscal 1992 was $6,199,000 compared to $7,082,000 for the second quarter of fiscal 1991, a decrease of $883,000, or 12.5%, reflecting declines in each of the Company's operating groups, as follows: $240,000, or 14.7% in the Tooling Systems Group; $329,000, or 12.6% in the Industrial Group; and $314,000, or 11.1% in the Services Group. Gross profit for the first half of fiscal 1992 was $12,528,000 compared to $14,539,000 for the same prior year period, a decrease of $2,011,000, or 13.8%, comprised of a decrease of $1,082,000, or 28.6% in the Tooling Systems Group; a decrease of $576,000, or 11.1% in the Industrial Group; and $353,000, or 6.3% in the Services Group. The decline in gross profit is attributable to lower volume and weakness in pricing. Gross profit as a percentage of net sales was 32.5% in the second quarter of fiscal 1992 compared to 31.8% in the second quarter of fiscal 1991 reflecting an improvement in the Services Group due to lower cost to complete contracts of its Rebuild Operation.

Other non-recurring charges of $3,702,000 were incurred in the second quarter of fiscal 1992. These charges were incurred primarily as a result of operating changes instituted in the second quarter in response to continued weak net sales and included: (i) a provision of $1,197,000 for the closing of two facilities utilized by the Services Group in an effort to foster more efficient utilization of facilities and workforce, severance costs in connection therewith and the consolidation of the Services Group's operations primarily to its facility in Rockford, Illinois; (ii) a provision of $1,315,000 for the closing of the Company's corporate office in Nashville, Tennessee, severance for corporate office personnel and relocation of the Company's headquarters to Stamford, Connecticut; (iii) a provision of $320,000 relating to severance costs for personnel reductions at the Tooling Systems and Industrial Groups; and (iv) a provision of $465,000 for expenses associated with exiting an Industrial Group product line. Non-recurring charges also included a provision of $405,000 for fees the Company believes may be required to fund the guarantees of certain DeVlieg, Inc. ("DeVlieg") indebtedness to the Kathryn S. DeVlieg Revocable Living Trust. The guarantees are comprised of a guaranty of $300,000 entered into at the time of the acquisition from DeVlieg of the Microbore product line in September 1988 and a guaranty of $105,000 entered into at the time of the acquisition from DeVlieg of the Services Group in March 1990. See Note 11 of Notes to Consolidated Financial Statements.

Operating expenses, excluding the non-recurring charges, were $5,477,000 in the second quarter of fiscal 1992 compared to $5,748,000 in the second quarter of fiscal 1991, a decrease of $271,000. Operating expenses, excluding the non-recurring charges, were $11,060,000 in the first half of fiscal 1992 compared to $11,142,000 in the same prior year period.

Interest expense was $581,000 in the second quarter of fiscal 1992 compared to $861,000 in the second quarter of fiscal 1991, a decrease of $280,000. Interest expense was $1,273,000 in the first half of fiscal 1992 compared to $1,739,000 for the same prior year period, a decrease of $466,000. The decrease was attributable to lower outstanding debt balances in fiscal 1992 and lower interest rates.

A benefit for income taxes was recognized in the fiscal 1992 periods as compared to an expense for income taxes in the fiscal 1991 periods. The benefit recognized was limited to the amount that could be carried back to prior years.

Liquidity and Capital Resources

Net cash provided by operations was $3,989,000 in the first half of fiscal 1992, compared to $6,708,000 in the same prior year period, a decrease of $2,719,000. Of the net cash provided by operations, the net loss and depreciation and amortization utilized $1,505,000 in fiscal 1992 compared to a contribution from net income and depreciation and amortization of $2,588,000 in fiscal 1991. The non-recurring charges aggregating $3,702,000 which were incurred in the second quarter of fiscal 1992 will affect cash flow as the related actions are taken.

Net cash provided by operations was used primarily for the repayment of debt. Indebtedness other than the revolving credit agreement totalled $9,801,000 and $11,732,000 at January 31, 1992 and July 31, 1991, respectively, a decrease of $1,931,000.

Capital expenditures were $590,000 in the first half of fiscal 1992. As of January 31, 1992, there are no material commitments for specific capital expenditures.

The Company's revolving credit agreement permits borrowings of up to $20,000,000, subject to collateral maintenance requirements, at an annual interest rate of 1.5% over the senior lender's base rate. Borrowings outstanding under the revolving credit agreement were $14,736,000 and $16,204,000 at January 31, 1992 and July 31, 1991, respectively, a decrease of $1,468,000. The amount the Company may borrow under the revolving credit agreement is based upon a formula related to eligible accounts receivable and inventories. As of January 31, 1992, unused

borrowings available under the formula were $1,968,000. On March 13, 1992, the revolving credit agreement was amended to extend the maturity date from March 22, 1992 to June 22, 1992 and to increase the annual interest rate charged on borrowings thereunder by .5% to an annual rate of 1.5% above the senior lender's base rate.

At January 31, 1992, the end of its second fiscal quarter, the Company was not in compliance with certain financial covenants under its revolving credit agreement resulting primarily from the adverse impact on the Company's results of operations from the persistent recessionary conditions which have adversely effected the primary industrial segments served and due to the incurrence of the non-recurring charges. Such financial covenant violations at the end of the second fiscal quarter have been waived by the Company's senior lender. In connection with this waiver, the Company's senior lender has required it to engage a management consultant to evaluate the Company's operating plans. Management believes the Company will be required to seek additional waivers from its senior lender at April 30, 1992, the end of its third fiscal quarter. The Company's ability to meet its liquidity needs is dependent on its ability to obtain any required waivers and to obtain a new credit facility on terms acceptable to the Company upon maturity of its existing facility on June 22, 1992. There can be no assurance that the Company will be able to obtain any required waivers or that any new credit facility will contain terms as favorable to the Company as those contained in its existing facility. See Note 8 of Notes to Consolidated Financial Statements.

During the remainder of fiscal 1992, the Company expects to continue to finance its operations from borrowings under the revolving credit agreement and from internally generated funds.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

On March 2, 1992 a purported Class Action was filed in the United States District Court for the District of Connecticut against the Company, Stanwich Oil & Gas, Inc., the First Boston Corporation and certain of the Company's officers and directors. The suit alleges violations of the federal securities laws and state and federal common law in connection with alleged misrepresentations and omissions made by the Company in connection with its initial public offering in March 1990 and in certain reports later issued by the Company. The Company believes the allegations are without merit and will defend the litigation vigorously.

Item 4. Submission of matters to a vote of security holders.

On January 23, 1992 an annual meeting of DeVlieg-Bullard, Inc. was held, at which meeting the shareholders elected Charles E. Bradley, Laurence DeFrance, Burton C. Borgelt, Thomas L. Cassidy, George A. Chandler, John R. Kennedy, John C. McConnaughy, Jr., John G. Poole and William O. Thomas as the Board of Directors of the Company to hold office until the next annual meeting and until their successors are elected and qualified. In addition, the shareholders approved the 1991 Stock Option Plan for Outside Directors.

ITEM 5. Other Information.

Effective March 2, 1992, Laurence DeFrance resigned his position as the Company's President and Chief Executive Officer. Mr. DeFrance has assumed the position of Vice Chairman of the Board of Directors. William O. Thomas, a director and formerly Vice Chairman of the Board of Directors, has been appointed Acting President of the Company. In addition, the corporate headquarters will be relocated from Nashville, Tennessee to Stamford, Connecticut.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

(10.1) Amendment No. 5 to Amended and Restated Loan and Security Agreement dated as of March 22, 1990, among BancBoston Financial Company, DeVlieg-Bullard, Inc. and Penberthy, Inc.

(10.2) Amendment No. 6 to Amended and Restated Loan and Security Agreement dated as of March 22, 1990 among BancBoston Financial Company, DeVlieg-Bullard, Inc. and Penberthy, Inc.

(10.3) DeVlieg-Bullard, Inc. 1991 Stock Option Plan for Outside Directors.

(10.4) Certificate of Merger of Lyons Holdings, Inc. and DeVlieg-Lyons Integrated Systems, Inc. into DeVlieg-Bullard, Inc.

(11) Computation of Earnings per Common Share.

(b) Reports on Form 8-K

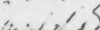
No reports on Form 8-K were filed by the Company during the quarter ended January 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DeVlieg-Bullard, Inc.
(Registrant)

Date: 03/12/92

By: 
Charles E. Bradley
Chairman of the
Board of Directors

Date: 03/13/92

By:
Arthur B. Hammond
Vice President,
Secretary and Chief
Financial Officer

DeVlieg-Bullard, Inc.

EXHIBIT INDEX

Exhibit		Page No.
(10.1)	Amendment No. 5 to Amended and Restated Loan and Security Agreement dated as of March 22, 1990, among BancBoston Financial Company, DeVlieg-Bullard, Inc. and Penberthy, Inc.	21
(10.2)	Amendment No. 6 to Amended and Restated Loan and Security Agreement dated as of March 22, 1990 among BancBoston Financial Company, DeVlieg-Bullard, Inc. and Penberthy, Inc.	24
(10.3)	DeVlieg-Bullard, Inc. 1991 Stock Option Plan for Outside Directors.	33
(10.4)	Certificate of Merger of Lyons Holdings, Inc. and DeVlieg-Lyons Integrated Systems, Inc. into DeVlieg-Bullard, Inc.	40
(11)	Computation of Earnings per Common Share	44

EXHIBIT 10.1

AGREEMENT AND AMENDMENT NO. 5 TO
AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

THIS AGREEMENT AND AMENDMENT NO. 5 is made as of December 20, 1991 by and among BANCBOSTON FINANCIAL COMPANY, DEVLIEG-BULLARD, INC. AND PENBERTHY, INC.

WHEREAS, the parties hereto are parties to a certain Amended and Restated Loan and Security Agreement dated as of March 22, 1990, as amended (the "Loan Agreement"). Terms defined in the Loan Agreement are used herein with the same meanings.

WHEREAS, the parties wish to amend the Loan Agreement further.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrowers and the Lender agree as follows:

1. Section 1.8 of the Loan Agreement is hereby amended by deleting the figure "$27,000,000" from clause (i) thereof and substituting in its place the figure "$20,000,000."

2. The Loan Agreement is ratified and confirmed and shall continue in full force and effect as amended hereby.

3. This Agreement and Amendment No. 5 may be executed in any number of counterparts with the same effect as if the signatures hereto and thereto were upon the same instrument.

WITNESS the execution of this Agreement and Amendment No. 5 under seal as of the date first above written.

DEVLIEG-BULLARD, INC.

By: _____
Title:

PENBERTHY, INC.

By: _____
Title:

BANCBOSTON FINANCIAL COMPANY

By: _____
Title: WILLIAM C. PALMER
VICE PRESIDENT

AGREEMENT AND AMENDMENT NO. 5 TO
AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

THIS AGREEMENT AND AMENDMENT NO. 5 is made as of December 20, 1991 by and among BANCBOSTON FINANCIAL COMPANY, DEVLIEG-BULLARD, INC. AND PENBERTHY, INC.

WHEREAS, the parties hereto are parties to a certain Amended and Restated Loan and Security Agreement dated as of March 22, 1990, as amended (the "Loan Agreement"). Terms defined in the Loan Agreement are used herein with the same meanings.

WHEREAS, the parties wish to amend the Loan Agreement further.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrowers and the Lender agree as follows:

1. Section 1.8 of the Loan Agreement is hereby amended by deleting the figure "$27,000,000" from clause (i) thereof and substituting in its place the figure "$20,000,000."

2. The Loan Agreement is ratified and confirmed and shall continue in full force and effect as amended hereby.

3. This Agreement and Amendment No. 5 may be executed in any number of counterparts with the same effect as if the signatures hereto and thereto were upon the same instrument.

WITNESS the execution of this Agreement and Amendment No. 5 under seal as of the date first above written.

DEVLIEG-BULLARD, INC.

By: _____
Title: VICE PRESIDENT

PENBERTHY, INC.

By: _____
Title: VICE PRESIDENT

BANCBOSTON FINANCIAL COMPANY

By: _____
Title:

EXHIBIT 10.2

AGREEMENT AND AMENDMENT NO. 6 TO
AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

THIS AGREEMENT AND AMENDMENT NO. 6 is made as of March 13, 1992 by and among BANCBOSTON FINANCIAL COMPANY, DEVLIEG-BULLARD, INC. AND PENBERTHY, INC.

WHEREAS, the parties hereto are parties to a certain Amended and Restated Loan and Security Agreement dated as of March 22, 1990, as amended (the "Loan Agreement"). Terms defined in the Loan Agreement are used herein with the same meanings.

WHEREAS, the parties wish to amend the Loan Agreement further.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrowers and the Lender agree as follows:

SECTION 1. REPRESENTATIONS OF THE BORROWERS. The Borrowers represent and warrant to the Lender as follows:

1.1 The Borrowers were in default under Sections 5.26, 5.27, 5.29 and 5.31 of the Loan Agreement as of January 31, 1992 and such Events of Default are continuing at the date hereof.

1.2 The Borrowers were in default of the Loan Agreement on December 15, 1991 for failure to deliver an endorsement to the leasehold mortgage title insurance policy relating to the Muskegon, Michigan premises, and such Event of Default is continuing at the date hereof.

1.3 Other than the Events of Default described in Sections 1.1 and 1.2 above, there is no Event of Default which has occurred or is continuing and there is no event or condition which, with the giving of notice or the passage of time, or both, would result in an Event of Default.

SECTION 2. AMENDMENTS TO LOAN AGREEMENT.

2.1 Section 1.56 of the Loan Agreement is hereby amended to delete therefrom the date "March 22, 1992" and to insert in lieu thereof the date "June 22, 1992".

2.2 Section 2.2.3 of the Loan Agreement is hereby amended to read in its entirety as follows:

> "2.2.3 Revolving Loans shall bear interest at a rate per annum equal to one and one-half percent (1 1/2%) above the Base Rate from time to time. Notwithstanding the foregoing, if at any time, whether as a result of the application of any present or future applicable law (which expression, as used in this Agreement, includes statutes and rules and regulations thereunder and interpretations thereof by any competent court or by any governmental body or official charged with the administration or the interpretation thereof and requests, directives, instructions and notices at any time or from time to time heretofore or hereafter made upon or issued to the Lender by any central bank or any fiscal, monetary or other authority, whether or not having the force of law), changes in any present or future law, subsequent transactions by the Borrowers, changes in the ratio of Indebtedness of the Borrowers to Consolidated Net Worth or otherwise, the Lender is deemed to be involved in a so-called "highly leveraged transaction" by virtue of its having extended or its maintaining the Loans, then the Lender shall notify the Borrowers thereof and at any time thereafter so long as the Lender is so deemed to be involved in a "highly leveraged transaction," the Revolving Loans shall, at the option of the Lender (exercised by notice in writing to the Borrowers), bear interest at a rate equal to two percent (2%) above the Base Rate in effect from time to time. The Lender will act reasonably and in good faith in making any determination pursuant to this Section."

JV

2.3 Section 5.27 of the Loan Agreement is hereby amended to change the period at the end thereof to a semi-colon and to add the following to the end thereof:

"provided, however, that for and during the fiscal quarter ending April 30, 1992, Liquidity shall be calculated only as at the end of such quarter."

2.4 Section 5.29 of the Loan Agreement is hereby amended to add the following sentence at the end thereof:

"Notwithstanding the foregoing, for and during the fiscal quarter ending April 30, 1992, the foregoing ratio shall be calculated only as at the end of such quarter."

SECTION 3. CONSENTS AND WAIVERS.

3.1 The Lender hereby waives the Borrowers' defaults as of January 31, 1992 under Sections 5.26, 5.27, 5.29 and 5.31 of the Loan Agreement; provided, however, that such waiver shall not affect Borrowers' obligations pursuant to Section 5.1 of the Agreement and Amendment No. 4 to Amended and Restated Loan and Security Agreement, dated as of October 29, 1991, to pay to the Lender on or before March 22, 1992 the second installment of the amendment fee equal to $40,000.00.

3.2 The Lender hereby waives the Borrowers' default under the Loan Agreement for failure to deliver, on or before December 15, 1991, an endorsement to the leasehold mortgage title insurance policy relating to the Muskegon, Michigan premises.

SECTION 4. CONDITIONS TO AGREEMENT AND AMENDMENT.

4.1 The execution and delivery of this Agreement and Amendment No. 6 by the Lender is conditioned upon the receipt by the Lender on or prior to the date hereof of an allonge to the Credit Note in the form of Exhibit "A-9" attached hereto.

4.2 In order to induce the Lender to enter into this Agreement and Amendment, the Borrowers hereby agree to do, make or deliver, at their sole cost and expense, the following acts, things, instruments and documents, on or before the dates specified below:

(a) hire on or before March 13, 1992, at their sole cost and expense, a consultant to assist in the management and operation of the Business, which consultant shall be reasonably satisfactory to the Lender; and

(b) deliver to the Lender as soon as possible but in any event on or before April 30, 1992 an endorsement to the leasehold mortgage title insurance policy relating to the Muskegon, Michigan premises in form and substance satisfactory to the Lender in its sole discretion.

Any failure by the Borrowers to comply with the terms and conditions of this paragraph 4.2 shall constitute an Event of Default under the Loan Agreement.

4.3 In order to further induce the Lender to enter intc this Agreement and Amendment, the Borrowers hereby agree that, notwithstanding anything in the Loan Agreement or herein to the contrary, the Borrowers shall not make any Restricted Payments to Stanwich Partners, Inc., whether pursuant to Section 5.21(b)(i) of the Loan Agreement or otherwise for the period from the date hereof through July 1, 1992. Any failure of the Borrowers to comply with the terms and conditions of this paragraph 4.3 shall constitute an Event of Default under the Loan Agreement.

SECTION 5. GENERAL.

5.1 The Loan Agreement is ratified and confirmed and shall continue in full force and effect as amended hereby. The Borrowers acknowledge and agree that all waivers and consents

contained in this Agreement and Amendment No. 6 are limited as provided herein and do not extend any other provisions of the Loan Agreement not specified herein or to any other matters.

5.2 This Agreement and Amendment No. 6 may be executed in any number of counterparts with the same effect as if the signatures hereto and thereto were upon the same instrument.

WITNESS the execution of this Agreement and Amendment No. 6 under seal as of the date first above written.

DEVLIEG-BULLARD, INC.

By: _____
Title:

PENBERTHY, INC.

By: _____
Title:

BANCBOSTON FINANCIAL COMPANY

By: _____
Title: Vice President

03-13-92 05:18PM P003 #09

EXHIBIT A-9

ALLONGE

March ____, 1992

This Allonge is made to that certain Amended and Restated Revolving Credit Note dated March 22, 1990 made by the undersigned and payable to BancBoston Financial Company in the original principal amount of $25,000,000, as amended by an Allonge dated March 20, 1991 increasing the maximum principal amount to $27,000,000 and by an allonge dated September 21, 1990 (the "Credit Note"). Terms defined in the Credit Note are used herein with the same meanings.

The principal amount of the Credit Note is hereby decreased to $20,000,000.

The Interest Rate of the Credit Note is hereby increased to one and one-half percent (1 1/2%) above the Base Rate.

At the option of the Lender, as provided in Section 2.2.3 of the Agreement, the Interest Rate shall be increased to two percent (2%) above the Base Rate, and from and after the exercise of such option, the amount of Principal from time to time outstanding shall bear interest at a rate per annum equal to two percent (2%) above the Base Rate.

From and after the date hereof, the provisions of the Allonge to the Credit Note dated September 21, 1990, shall have no further force or effect.

The Credit Note as amended hereby shall continue in full force and effect.

This Allonge shall become part of the Credit Note and shall be subject to all of the terms and conditions thereof, and although it is in the interest of the parties that this Allonge be affixed to the Credit Note, this Allonge shall continue in full force and effect even if it has not been so affixed.

DEVLIEG-BULLARD, INC.

By: _____
Title: V.P.

PENBERTHY, INC.

By: _____
Title: V.P.

AGREED:
BANCBOSTON FINANCIAL COMPANY

By: _____
Vice President

EXHIBIT 10.3

DEVLIEG-BULLARD, INC.
1991 STOCK OPTION PLAN FOR OUTSIDE DIRECTORS

1. Purpose

The purposes of the DeVlieg-Bullard, Inc. 1991 Stock Option Plan for Outside Directors are to advance the interests of DeVlieg-Bullard, Inc. (the "Company") and its stockholders by attracting and retaining the highest quality of experienced persons as directors and to align the interest of the Outside Directors of the Company more closely with the interests of the Company's stockholders.

2. Definitions

The following terms shall have the meanings indicated below:

(a) "Affiliate" shall have the meaning set forth in the Company's 1989 Employee Stock Plan.

(b) "Board" shall have the meaning set forth in the Company's 1989 Employee Stock Plan.

(c) "Change in Control" shall have the meaning set forth in the Company's 1989 Employee Stock Plan.

(d) "Code" shall have the meaning set forth in the Company's 1989 Employee Stock Plan.

(e) "Committee" shall have the meaning set forth in the Company's 1989 Employee Stock Plan.

(f) "Common Stock" means the common stock, par value $.01 per share, of the Company.

(g) "Company" shall have the meaning set forth in the Company's 1989 Employee Stock Plan.

(h) "Disability" shall have the meaning set forth in the Company's 1989 Employee Stock Plan.

(i) "Fair Market Value" shall have the meaning set forth in the Company's 1989 Employee Stock Plan.

(j) "Option" means an option granted to an Outside Director pursuant to the Plan.

(k) "Optionee" means an Outside Director who has been granted an Option pursuant to the Plan.

(l) "Outside Director" means any member of the Board of Directors of the Company who during the term of this Plan has not served as an officer or employee of the Company, a consultant to the Company or an officer or employee of Stanwich Partners, Inc. or its affiliates.

(m) "Plan" means the DeVlieg-Bullard, Inc. 1991 Stock Option Plan for Outside Directors.

(n) "Potential Change in Control" shall have the meaning set forth in the Company's 1989 Employee Stock Plan.

(o) "Retirement" means retirement from active directorship of the Company.

(p) "Subsidiary" shall have the meaning set forth in the Company's 1989 Employee Stock Plan.

3. **Administration**

The Plan shall be administered by the Committee of the Board of the Company. The Committee is authorized to interpret the Plan and may from time to time adopt such rules and regulations, not inconsistent with the provisions of the Plan, as it may deem advisable to carry out the Plan; provided, however, that the Committee shall have no discretion with respect to designating the recipient of an Option, the number of shares of Common Stock that are subject to an Option or the exercise price for an Option. All decisions made by the Committee in construing the provisions of the Plan shall be final.

4. **Eligibility**

Each Outside Director of the Company shall be eligible to participate under the Plan.

5. **Stock Subject to the Plan**

Subject to adjustment as provided in Paragraph 11, not more than 50,000 shares of Common Stock may be issued in respect of Options granted under the Plan. Such shares that may be issued upon the exercise of Options under the Plan are authorized but unissued shares. Shares of Common Stock subject to an Option shall, upon the expiration or termination of such Option, to the extent unexercised, again be available for grant under the Plan.

6. **Grant of Options**

Options will be awarded under this Plan pursuant to the following:

(a) Each Outside Director of the Company who served in such capacity on January 10, 1991 shall be and hereby is granted as of such date, subject to stockholder approval of the Plan, an Option to purchase 5,000 shares of the Company's Common Stock subject to adjustment as provided in Paragraph 11.

(b) Commencing with the Annual Meeting of Shareholders for the year ended July 31, 1991, each Outside Director on the date of his initial election to the Board, whether such election is by the Board or by the Company's stockholders, shall be granted as of such date, subject to stockholder approval of the Plan, an Option to purchase 5,000 shares of the Company's Common Stock subject to adjustment as provided in Paragraph 11, provided that such Optionee has not received such an Option on some previous date.

7. **Option Price**

Each Option granted hereunder shall represent the right to purchase the shares of Common Stock represented thereby at the Fair Market Value on the date the Option is granted.

8. **Option Agreement**

The grant of any Options shall be evidenced by a written Stock Option Agreement executed by the Company and the Optionee. The Stock Option Agreement shall contain the number of shares of Common Stock subject to the Option evidenced thereby, the other essential terms of the Option determined in accordance with Paragraph 9 hereof, and other terms that are not inconsistent with requirements of this Plan.

9. **Terms and Conditions of Options**

(a) Except as otherwise provided in Paragraph 12, Options granted pursuant to the Plan shall become exercisable one year from the date of grant, except that the first grant hereunder which shall vest six months and one day following stockholder approval of this Plan. All Options shall have a term of ten years from the date of grant, subject to earlier termination pursuant to Paragraph 13.

(b) Options that have not become exercisable on the date the Optionee ceases to serve as a director of the Company for any reason shall be forfeited and terminated immediately upon termination of service.

(c) Options that have become exercisable on the date the termination or expiration of the Optionee's position as a director may be exercised as follows:

(1) Retirement or Disability

If the Optionee shall cease to be a director of the Company by reason of Retirement or Disability, the Optionee may exercise the Option if and to the extent it was exercisable on the date of such cessation. Such Option may be exercised for a period of three years from the date of such cessation or until the expiration of the stated term of such Option; whichever period is the shorter.

(2) Death

If the Optionee shall cease to be a director by reason of death, the optionee's legal representative may exercise the Option if and to the extent it was exercisable on the date of the Optionee's death. Such Options may be exercised for a period of one year from the date of such death or until the expiration of the stated term of such Option, whichever period is shorter.

(3) Termination for any other reason

If the Optionee shall cease to be a director of the Company for any reason other than Retirement, Disability, or death, the Optionee may exercise the Option, to the extent it was exercisable on the date of such cessation, if the Optionee was involuntarily terminated by the Company without

Cause. Such Options, if exercised, must be exercised within the lesser of three months from the date of cessation or the balance of the stated term of the Option. For purposes of this Plan, "Cause" shall have the meaning set forth in the Company's 1989 Employee Stock Plan.

(d) Exercise of Options
An Option shall be exercised by delivery to the Corporate Secretary of the Company a written notice of exercise in the form prescribed by the Corporate Secretary for use from time to time. Such notice of exercise shall indicate the number of shares to which the Option is exercised and shall be accompanied by the full exercise price for the Options exercised.

(e) Form of Payment
The exercise price may be paid in cash (including certified or cashier's check, bank draft or money order), Common Stock, or a combination of Common Stock and cash. The Common Stock so delivered shall be valued at the Fair Market Value of the Common Stock on the date of exercise. No shares of Common Stock shall be issued or delivered until full payment has been made.

(f) Non-Transferability
No Option under the Plan shall be assignable or transferable by the Optionee, except by will or pursuant to applicable laws of descent and distribution. During the life of an Optionee, an Option shall be exercisable only by such Optionee or the Optionee's guardian or legal representative.

(g) No Rights as Stockholders
Holders of Options under the Plan shall have no rights as stockholders unless and until certificates for shares of Common Stock are registered in their names in satisfaction of a duly exercised option.

10. Withholding Taxes

Whenever the Company issues or transfers shares of Common Stock under the Plan, the Company shall have the right to require the Optionee to remit to the Company an amount sufficient to satisfy any federal, state and local withholding tax requirements prior to the delivery of any certificate for such shares. The Company shall have the right to retain sufficient shares of Common Stock to cover the amount of any tax required by any government to be withheld or otherwise deducted or paid with respect to the exercise of the Options; provided, that the Optionee does not deliver to the Company cash and/or shares of Common Stock in the amount determined by the Company to be sufficient to satisfy such tax. The Common Stock so retained or delivered shall be valued at the Fair Market Value of the Common Stock on the date retained or delivered.

11. Capital Adjustments and Corporate Reorganizations

In the event of any change in the outstanding shares of stock by reason of a stock dividend, split or combination, or recapitalization or reclassification, or reorganization, merger or consolidation, in which the Company is the surviving corporation or other similar change affecting the stock, the number and class of shares then subject to Options and for which Options may thereafter be granted and the amount per share of stock payable upon exercised or surrender of such Options shall be appropriately adjusted by the Committee to reflect such change. No fractional shares shall be issued as a result of such adjustment. In the event of a dissolution of the Company or a reorganization, merger or consolidation in which the Company is not the surviving corporation, the Company by action of its Board shall either (i) terminate outstanding and unexercised Options as of the effective date of such dissolution, merger or consolidation by giving notice to each Optionee of its intention to do so and permitting the exercise, during the period prior to such effective date to be specified by the Committee, of all outstanding and unexercised Options or portions thereof; provided, however, that no Option shall become exercisable hereunder either after the expiration date thereof or prior to one year from the date of grant thereof, or (ii) in the case of such reorganization, merger or consolidation, arrange for an appropriate substitution of shares or other securities of the corporation with which the Company is reorganized, merged or consolidated in lieu of the shares of stock which are subject to such outstanding and unexercised Options.

12. Change in Control Provision

(a) In the event of a "Change in Control" or a "Potential Change in Control" the following acceleration and valuation provisions shall apply:

(1) Any Option awarded under the Plan to an Optionee, not previously exercisable, shall become fully exercisable.

(2) The value of all exercisable Options may, at the Optionee's election, be cashed out at the Change in Control Price (as defined in the Company's 1989 Employee Stock Plan).

13. Effective Date and Term of the Plan

The Plan will become effective on the date of its adoption by the Board, subject to approval by a majority of the stockholders at the Annual Meeting of Stockholders for the year ended July 31, 1991. The Board in its discretion may terminate the Plan at any time with respect to any shares for which options have not heretofore been granted. Except with respect to Options then outstanding, if not sooner terminated, the Plan shall terminate upon, and no further Options shall be granted after, the expiration of 10 years from the effective date of the Plan.

14. **Amendments**

The Board shall have the right to alter or amend the Plan or any part thereof from time to time provided that no change in any Option theretofore granted may be made which would impair the rights of the Optionee without the consent of such Optionee; and provided, further, that the Board may not make any alteration or amendment which would materially increase the benefits accruing to participants under the Plan, increase the aggregate number of shares of Common Stock which may be issued pursuant to provisions of the Plan, or extend the terms of the Plan, without the approval of the stockholders of the Company.

EXHIBIT 10.4

087591

PAGE 1

State of Delaware

Office of Secretary of State

I, MICHAEL HARKINS, SECRETARY OF STATE OF THE STATE OF DELAWARE DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF MERGER OF "DEVLIEG-LYONS INTEGRATED SYSTEMS, INC." AND "LYONS HOLDINGS, INC." MERGING WITH AND INTO "DEVLIEG-BULLARD, INC." UNDER THE NAME OF "DEVLIEG-BULLARD, INC." AS RECEIVED AND FILED IN THIS OFFICE THE THIRTEENTH DAY OF DECEMBER, A.D. 1991, AT 11 O'CLOCK A.M.

RECEIVED 16 DEC 91 FILED 15

* * * * * * * * * * *

Michael Harkins, Secretary of State

AUTHENTICATION: *3270868

DATE: 12/13/1991

7213470 90

41

STATE OF DELAWARE 14:48 NO.015 P.07
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 11:00 AM 12/13/1991
721347090 - 2188787

CERTIFICATE OF MERGER

OF

LYONS HOLDINGS, INC.

AND

DEVLIEG-LYONS INTEGRATED SYSTEMS, INC.

INTO

DEVLIEG-BULLARD, INC.

****

The undersigned corporation organized and existing under and by virtue of the General Corporation Law of Delaware,

DOES HEREBY CERTIFY:

FIRST: That the name and state of incorporation of each of the constituent corporations of the merger is as follows:

NAME	STATE OF INCORPORATION
Lyons Holdings, Inc.	Delaware
DeVlieg-Lyons Integrated Systems, Inc.	Delaware
DeVlieg-Bullard, Inc.	Delaware

SECOND: That an agreement of merger between the parties to the merger has been approved, adopted, certified, executed and acknowledged by each of the constituent corporations in accordance with the requirements of section 251 of the General Corporation Law of Delaware.

THIRD: That the name of the surviving corporation of the merger is DeVlieg-Bullard, Inc.

FOURTH: That the Restated Certificate of Incorporation of DeVlieg-Bullard, Inc., a Delaware corporation which will survive

the merger, shall be the Restated Certificate of Incorporation of the surviving corporation.

FIFTH: That the executed Agreement of Merger is on file at the principal place of business of the surviving corporation, the address of which is 3100 West End Avenue, Suite 880, Nashville, Tennessee 37203.

SIXTH: That a copy of the Agreement of Merger will be furnished by the surviving corporation, on request and without cost, to any stockholders of any constituent corporations.

SEVENTH: That this Certificate of Merger shall be effective upon filing by the Delaware Secretary of State.

Dated: October 22, 1991

Devlieg-Bullard, Inc.

By: _____
President

ATTEST:

By: _____
Secretary

/83568

EXHIBIT 11

Exhibit 11

DeVlieg-Bullard, Inc.
Computation of Earnings per Share
(unaudited - in thousands, except per share data)

	Quarter Ended January 31,		Six Months Ended January 31,	
	1992	1991	1992	1991
Net income (loss)	($2,898)	$532	($2,756)	$1,416
Preferred stock dividends	(58)	0	(58)	0
Accretion of preferred stock discount	(64)	(62)	(127)	(122)
Net income (loss) attributable to common stockholders	($3,020)	$470	($2,941)	$1,294
Net income (loss) per common share	($0.25)	$0.04	($0.24)	$0.11
Weighted average number of common shares outstanding	12,250	12,250	12,250	12,250